

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Annual Compliance Report, 2022

Docket No. ACR2022

CHAIRMAN'S INFORMATION REQUEST NO. 7  
AND NOTICE OF FILING UNDER SEAL

(Issued January 27, 2023)

To clarify the basis of the Postal Service's FY 2022 *Annual Compliance Report* (ACR), filed December 29, 2022,<sup>1</sup> the Postal Service is requested to provide written responses to the following questions. Questions 22-24 are developed based on questions 1-3 proposed in the motion for issuance of information request filed by Steve Hutkins on January 19, 2023.<sup>2</sup> Answers should be provided to the individual questions as soon as they are developed, but no later than February 3, 2023.

**Revenue, Pieces & Weight (RPW) Competitive Fee Revenue**

1. Please see Attachment, filed under seal.
2. Please see Attachment, filed under seal.
3. Please see Attachment, filed under seal.
4. Please see Attachment, filed under seal.

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<sup>1</sup> United States Postal Service FY 2022 *Annual Compliance Report*, December 29, 2022 (FY 2022 ACR).

<sup>2</sup> See Motion for Issuance of Information Request, January 19, 2023. The asking of other questions proposed in that motion remains under consideration.

### **Revenue, Pieces & Weight (RPW) Market Dominant Fee Revenue**

5. Please see Attachment, filed under seal.

### **Periodic Reporting**

6. Please see Attachment, filed under seal.

### **Competitive Domestic Products**

7. Please see Attachment, filed under seal.
8. Please see Attachment, filed under seal.
9. Please see Attachment, filed under seal.
10. Please see Attachment, filed under seal.
11. Please see Attachment, filed under seal.

### **Competitive International Services**

12. Please see Attachment, filed under seal.
13. Please see Attachment, filed under seal.
14. Please see Attachment, filed under seal.

**USPS Marketing Mail**

15. Please refer to FY 2022 ACR at 17, Table 3, column “Volume (millions),” and compare with FY 2021 ACR at 16, Table 5, column “Volume (millions).”<sup>3</sup>
  - a. Discuss in detail the drivers behind the shift in mail mix across all USPS Marketing Mail products in FY 2022 and its impact on unit cost and unit revenue for USPS Marketing Mail products.
  - b. Please discuss previously observed trends in migration from USPS Marketing Mail Flats to USPS Marketing Mail High Density products and whether that shift is likely exhausted or might continue to have a meaningful impact on USPS Marketing Mail Flats costs. Please provide any market research or other evidence to support the Postal Service’s views.
16. Please refer to the Postal Service’s discussion of USPS Marketing Mail Carrier Route in the FY 2022 ACR. See FY 2022 ACR at 18-19.
  - a. Please discuss in detail the drivers behind the reported 7.0 percent increase in unit cost for USPS Marketing Mail Carrier Route in FY 2022.
  - b. Please describe any factors that may have mitigated cost increases for USPS Marketing Mail Carrier Route in FY 2022.
  - c. Please explain the impact of any prior mitigation efforts on costs for USPS Marketing Mail Carrier Route in FY 2022 and provide quantitative support to the extent available. If no quantitative support is available, then provide qualitative support.
  - d. Please discuss any plans or strategies the Postal Service has for reducing USPS Marketing Mail Carrier Route costs in FY 2023.

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<sup>3</sup> Docket No. ACR2021, United States Postal Service FY 2021 *Annual Compliance Report*, December 29, 2021 (FY 2021 ACR).

17. Please refer to the Postal Service's discussion of USPS Marketing Mail Parcels in the FY 2022 ACR. See *id.* at 19. Discuss in detail the drivers behind the reported 2.5 percent decrease in unit cost for USPS Marketing Mail Parcels in FY 2022. In the response, please discuss the impact of any prior mitigation efforts to control costs for USPS Marketing Mail Parcels and provide quantitative support to the extent available. If no quantitative support is available, then provide qualitative support.
18. Please refer to the Postal Service's discussion of USPS Marketing Mail Flats in the FY 2022 ACR. See *id.* at 21-22, 32-38.
  - a. Please discuss in detail the drivers behind the reported 0.7 percent increase in unit cost for USPS Marketing Mail Flats in FY 2022.
  - b. Please describe any factors that might have mitigated cost increases for USPS Marketing Mail Flats in FY 2022.
  - c. Please explain the impact of any prior mitigation efforts on costs for USPS Marketing Mail Flats in FY 2022 and provide quantitative support to the extent available. If no quantitative support is available, then provide qualitative support.
  - d. Please discuss any plans or strategies the Postal Service has for reducing USPS Marketing Mail Flats costs in FY 2023.

### Market Dominant Special Services

19. Please refer to the table below regarding the revenues, costs, and cost coverages for the Address Management Services product:

Fiscal Year (FY)	Revenue (\$ Millions)	Cost (\$ Millions)	Cost Coverage
FY 2020 <sup>4</sup>	14.8	5.5	266.86%
FY 2021 <sup>5</sup>	14.7	4.6	318.82%
FY 2022 <sup>6</sup>	27.8	4.7	593.56%

- a. Please confirm the applicable revenue, cost, and cost coverage numbers are correct in the table above. If not confirmed, please provide revised numbers and the reason(s) for and data source(s) underlying the revisions.
- b. For each fiscal year (FY 2020, FY 2021, and FY 2022), please provide the respective revenues, costs, and cost coverages for each Address Management Services service (*i.e.*, subproduct) listed in section 1515.1 of the Mail Classification Schedule.<sup>7</sup>

### Domestic Market Dominant Negotiated Service Agreements (NSAs)

20. The Postal Service states that “[t]here were no domestic Market Dominant NSAs in effect in FY 2021.” FY 2022 ACR at 47. Please confirm that there were no domestic Market Dominant NSAs in effect in FY 2022. If not confirmed, please provide the correct number of Market Dominant NSAs in effect in FY 2022 and explain further, if necessary.

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<sup>4</sup> Docket No. ACR2020, Library Reference PRC-LR-ACR2020-1, March 29, 2021.

<sup>5</sup> Docket No. ACR2021, Library Reference PRC-LR-ACR2021-1, March 29, 2022.

<sup>6</sup> FY 2022 ACR at 46.

<sup>7</sup> See Mail Classification Schedule, § 1515.1, available at <http://www.prc.gov/mail-classification-schedule>.

**Market Dominant Non-Postal Products**

21. In its response to Chairman's Information Request (CHIR) No. 4,<sup>8</sup> the Postal Service explains that reported cost coverage for Philatelic Sales fell below 100 percent due in large part to the inadvertent use of an incorrect Service-Wide Benefit factor in the cost model. *Id.* After correcting for this error, the Postal Service notes Philatelic Sales costs were recalculated using the appropriate Service-Wide Benefit factor, yielding total cost of \$5,930,078, which is well below the \$7,403,865 reported revenue, and results in a cost coverage of 124.85 percent. *See id.*
- a. Please provide all data and calculations required for calculating the total cost for Philatelic Sales, including how the "appropriate" Service-Wide Benefit factor is determined.
  - b. Please provide all data and calculations required for calculating the total revenue for Philatelic Sales.

**Customer Access**

22. Please refer to Response to CHIR No. 4, question 21. Please provide Excel spreadsheets including Office Name (or other appropriate identifier), Location (City and State), and 5-Digit ZIP Code for the following:
- a. The number of Village Post Offices (VPOs) at the beginning of FY 2022
  - b. The number of VPOs opened in FY 2022
  - c. The number of VPOs closed in FY 2022
  - d. The number of VPOs at the end of FY 2022

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<sup>8</sup> Responses of the United States Postal Service to Questions 1-28 of Chairman's Information Request No. 4, January 20, 2023, question 12 (Response to CHIR No. 4).

23. Please refer to Response to CHIR No. 4, question 22. Please provide Excel spreadsheets including Office Name (or other appropriate identifier), Location (City and State), and 5-Digit ZIP Code for the following:
- a. The number of community Post Offices (CPOs) at the beginning of FY 2022
  - b. The number of CPOs opened in FY 2022
  - c. The number of CPOs closed in FY 2022
  - d. The number of CPOs at the end of FY 2022
24. Please refer to Response to CHIR No. 4, question 23. Please provide Excel spreadsheets including Office Name (or other appropriate identifier), Location (City and State), and 5-Digit ZIP Code for the following:
- a. The number of contract postal units (CPU) at the beginning of FY 2022
  - b. The number of CPUs opened in FY 2022
  - c. The number of CPUs closed in FY 2022
  - d. The number of CPUs at the end of FY 2022
25. Please refer to the FY 2022 numbers listed in the updated table of retail facilities provided in Response to CHIR No. 4, question 24.
- a. The number of stations, branches, and carrier annexes at the end of FY 2022 differs between the FY 2022 ACR (4,865) and Response to CHIR No. 4, question 24 (4,389).<sup>9</sup> Please reconcile this discrepancy and confirm the number of stations, branches, and carrier annexes at the end of FY 2022.

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<sup>9</sup> Compare FY 2022 ACR at 84, with Response to CHIR No. 4, question 24.

- b. The table lists the total number of postal-managed facilities as 30,653.<sup>10</sup> However, the number of Post Offices (26,269) plus the number of classified stations, branches, and carrier annexes (4,389) is 30,658. Please confirm the total number of postal-managed facilities in FY 2022. In the response, please confirm the number of Post Offices as well as the number of classified stations, branches, and carrier annexes at the end of FY 2022.
26. In Docket No. ACR2021, the Postal Service reported that there was a total of 425 suspended Post Offices at the end of FY 2021/beginning of FY 2022.<sup>11</sup> By contrast, in Library Reference USPS-FY22-33, the Postal Service reports that there was a total of 431 suspended Post Offices at the beginning of FY 2022.<sup>12</sup> Please reconcile this discrepancy, confirm the total number of suspended Post Offices at the beginning of FY 2022, and file an updated library reference if necessary.
27. In Library Reference USPS-FY22-33, the Postal Service states that there was a total of 375 suspended Post Offices at the end of FY 2022.<sup>13</sup> However, Library Reference USPS-FY22-33 lists 381 Post Offices suspended at the end of FY 2022.<sup>14</sup>

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<sup>10</sup> Response to CHIR No. 4, question 24.

<sup>11</sup> Docket No. ACR2021, Responses of the United States Postal Service to Questions 1-21 of Chairman's Information Request No. 11, February 11, 2022, question 2.f.; *id.* file "OneDrive\_2022-02-11.zip," folder "Docket No. ACR2021," folder "ChIR 11 Response Attachments," folder "ChIR.11.Resp.Attachments," Excel file "ChIR No. 11 Q 2.f.xlsx," tab "Suspension Summary," cell I17.

<sup>12</sup> Library Reference USPS-FY22-33, December 29, 2022, file "USPS-FY22-33.zip," folder "USPS-FY22-33," folder "FY22.33.Files," Excel file "PostOfficesFY2022.xlsx," tab "Suspension Summary," cell D17 (FY 2022 Post Offices).

<sup>13</sup> FY 2022 Post Offices, tab "Suspension Summary," cell I17.

<sup>14</sup> FY 2022 Post Offices, tab "Suspended End of FY22," cells I2:I4.



- a. Please reconcile this discrepancy, confirm the total number of suspended Post Offices at the end of FY 2022, and file an updated library reference if necessary.
  - b. Please confirm that the total number of suspended Post Offices at the end of FY 2022, provided in response to question 27.a., includes the 79 suspended Post Offices remaining from the end of FY 2016. See FY 2022 ACR at 87, 89. If not confirmed, please provide a spreadsheet listing each of the Post Offices that were suspended at the end of FY 2022. This spreadsheet must include the 79 suspended Post Offices remaining from the end of FY 2016, as well as the Post Offices suspended between FY 2017 and FY 2021 that were not subsequently reopened or closed at the end of FY 2021.
28. Please refer to Library Reference USPS-FY22-33, Excel file "CollectionBoxesFY2022.xlsx," cells B9 and C9, and Response to CHIR No. 4, question 19, which asked about collection boxes that were removed, relocated, or installed in new locations in FY 2022. Library Reference USPS-FY22-33 indicates that there was an aggregate reduction of 575 collection boxes between FY 2021 (140,062) and FY 2022 (139,487). However, this number does not appear to be consistent with Response to CHIR No. 4, which shows an aggregate reduction of 567 collection boxes between FY 2021 and FY 2022.<sup>15</sup>
- a. Please reconcile this discrepancy (575 vs. 567) and confirm the aggregate number of collection boxes removed between FY 2021 and FY 2022.
  - b. Please provide the steps for calculating these numbers provided in response to question 28.a. In the response, please explain whether and

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<sup>15</sup> 140,062 collection boxes at the end of FY 2021 minus 655 collection boxes removed in FY 2022 plus 88 collection boxes added to new locations equals 139,495, an aggregate reduction of 567 collection boxes.

how the Postal Service includes the 18 relocated collection boxes in its calculation. See Response to CHIR No. 4, question 19.b.

**For the following questions, if the Postal Service chooses to respond using a graphical or tabular representation of data, please file the underlying data in the form of an Excel spreadsheet. Such spreadsheets shall preserve all data links and show all formulas used, including volumes and other weighting factors.**

### **Service Performance**

29. The Postal Service states that “some of the economic impacts of the pandemic continue to challenge the Postal Service’s ability to hire part-time workers due to the national labor shortage, especially in markets with high costs of living, and to secure highway contract routes.” FY 2022 ACR at 54-55.
- a. Please describe in detail the impacts that the national labor shortage had on the Postal Service’s ability to hire part-time workers in FY 2022. For each impact identified, please provide quantitative support and identify the metric(s) used. If quantitative support is unavailable for an identified impact, please so state, explain why it is unavailable, and provide qualitative analysis in support of the identified impact.
  - b. Please identify the methods used by the Postal Service to ameliorate the effects the national labor shortage had on the Postal Service’s ability to hire part-time workers and identify the impact of each method in FY 2022. For each impact identified, please provide quantitative support and identify the metric(s) used. If quantitative support is unavailable for an identified impact, please so state, explain why it is unavailable, and provide qualitative analysis in support of the identified impact.
  - c. The Postal Service also states that it pursued “improvements to the Postal Service’s transportation network to promote service reliability, cost savings, and operational efficiencies by reducing the Postal Service’s

dependence on more expensive air transportation in favor of less expensive and more reliable surface transportation. To enable these transportation improvements, at the beginning of FY 2022 the Postal Service implemented new service standards for certain First-Class Mail and Periodicals.”<sup>16</sup>

- i. Please identify how the Postal Service’s decreased ability to secure highway contract routes, discussed above, has impacted the Postal Service’s intended increase of mail volume transported by truck in FY 2022. For each impact identified, please provide quantitative support and identify the metric(s) used. If quantitative support is unavailable for an identified impact, please so state, explain why it is unavailable, and provide qualitative analysis in support of the identified impact.
- ii. Please describe in detail how the Postal Service attempted to ameliorate its inability to secure highway contract routes in light of the economic impacts of the pandemic and identify the impact of each method in FY 2022. For each impact identified, please provide quantitative support and identify the metric(s) used. If quantitative support is unavailable for an identified impact, please so state, explain why it is unavailable, and provide qualitative analysis in support of the identified impact.

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<sup>16</sup> *Id.* at 49. Moreover, the Postal Service has previously stated that surface transportation is more reliable than air transportation and has stated its intention to therefore increase the volume of mail transported by truck. See, e.g., Docket No. N2021-1, Direct Testimony of Robert Cintron on Behalf of the United States Postal Service (USPS-T-1), April 21, 2021, at 2.

30. In Docket No. N2021-1, the Postal Service proposed to revise the service standards for First-Class Mail and end-to-end Periodicals.<sup>17</sup>
- a. Please describe in detail the impact that the service standard changes proposed in Docket No. N2021-1 had on the FY 2022 service performance scores for First-Class Mail. For each impact identified, please provide quantitative support and identify the metric(s) used. If quantitative support is unavailable for an identified impact, please so state, explain why it is unavailable, and provide qualitative analysis in support of the identified impact.
  - b. Please identify the service performance scores for First-Class Mail when calculated using the service standards in place prior to the changes made as a result of Docket No. N2021-1. Please also describe the data and methodology used to calculate these scores.
  - c. Has the Postal Service conducted any investigation to determine how much of the increase in service performance from FY 2021 to FY 2022 can be attributed to the service standard changes proposed in Docket No. N2021-1?
    - i. If so, please describe in detail the status and current results of this investigation.
    - ii. If not, why has the Postal Service not conducted such an investigation?

By the Chairman.

Michael Kubayanda

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<sup>17</sup> See United States Postal Service Request for an Advisory Opinion on Changes in the Nature of Postal Services, April 21, 2021.